

Message Text

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ACTION EB-06

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-06 SP-02

CIEP-01 LAB-01 SIL-01 OMB-01 SS-20 NSC-05 L-01 PRS-01

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FM AMEMZASSY GUATEMALA
TO AMEMBASSY SAN SALVADOR
INFO SECSTATE WASHDC 4676

UNCLAS GUATEMALA 5672

E.O. 11652: N/A

TAGS: ELTN, EINU, BEXP, ES, GT

SUBJECT: GOES TAKEOVER OF IRCA AND GUATEMALAN PRECEDENT

REF: SAN SALVADOR 4064 DATED 10/10/74.

ONLY CANCELLED PUBLIC SERVICE CONCESSION BY GOG KNOWN TO EMBOFFS WAS 1968 UNILATERAL CANCELLATION OF IRCA CONCESSION BY GOG. BACKGROUND THIS ACTION FOLLOWS: THROUGHOUT 1960'S IRCA WAS PLAGUED BY LABOR DISPUTES; IN EARLY 1968 A 72 DAY STRIKE AGAINST IRCA CAUSED CONSIDERABLE HARM TO GUATEMALAN ECONOMY. TO TERMINATE STRIKE GOG ESTABLISHED A TRUST WHICH WOULD PROVIDE IRCA WITH \$4.3 MILLION TO BE USED TO SETTLE THE WORKERS CLAIMS. IN RETURN, GOG RECEIVED A MORTGAGE OR COMPANY'S PROPERTIES IN GUATEMALA. SHORTLY AFTERWARDS, IRCA AGAIN FELL BEHIND IN PAYING ITS WORKERS AS WELL AS ON SOME REPAYMENTS OF THE GOG'S LOAN. UNSTABLE SITUATION CONTINUED, GOG THEN BEGAN TO FEEL THAT IRCA WAS NOT FULFILLING OTHER COMMITMENTS OF THE TRUST ESPECIALLY THOSE RELATING TO THE REPATRIATION OF FUNDS FOR SHIPMENTS TO EL SALVADOR AND THE SALE OF REAL ESTATE IN GUATEMALA CITY.

AS A RESULT, THE GOG DEMANDED REPAYMENT OF THE OUTSTANDING
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PORTION OF THE \$4.3 MILLION LOAN AND TOOK ITS CASE TO THE

COURTS. WHEN IRCA FAILED TO REPAY THE LOAN WITHIN THE GOG'S TIME LIMIT, THE LATTER FORECLOSED ON THE MORTGAGE AND THE RAILROAD WAS PUT UP FOR SALE ON PUBLIC AUCTION IN OCTOBER 1968. NO BIDS WERE RECEIVED AND AFTER TWO MONTHS OF UNSUCCESSFUL NEGOTIATIONS THE COURTS AWARDED THE MORTGAGED PROPERTY TO THE GOG ON DECEMBER 27, 1968. LATER THAT DAY THE GOG ISSUED A DECREE UNILATERALLY CANCELLING IRCA'S CON-
CESSION BECAUSE OF THE COMPANY'S NON-FULFILLMENT OF THE CONTRACT TERMS. A SEPARATE DECREE SET UP THE RAILROAD AS A PUBLIC UTILITY OWNED BY THE GOG. SOME ASPECTS OF THE GOG'S ACTION AGAINST IRCA ARE STILL AT ISSUE
IN COURT CASES; NEVERTHELESS, THE OVERALL ISSUE HAS BEEN DORMANT AS A PUBLIC MATTER FOR AT LEAST TWO YEARS.
ANDREWS

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Message Attributes

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